

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2005

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
U.S. DEPARTMENT OF AGRICULTURE							
Passed through Tennessee Department of Agriculture:							
Emergency Food Assistance Program (Administrative Costs)	10.568	Z-04-109318	\$ (7,818)	\$ 35,975	\$ 28,157	\$ -	\$ -
Emergency Food Assistance Program (Administrative Costs)	10.568	Z-05-024495	-	17,718	70,435	-	(52,717)
Total Emergency Food Assistance Program			(7,818)	53,693	98,592	-	(52,717)
Emergency Food Assistance Program (Food Commodities - Noncash)	10.569	N/A	-	243,730	243,730	-	-
Passed through Tennessee Department of Human Services:							
Child and Adult Care Food Program	10.558	03-47-55915-00-8	(42,829)	317,512	314,840	-	(40,157)
Child and Adult Care Food Program	10.558	03-47-56136-00-6	(14,391)	80,742	75,568	-	(9,217)
Child and Adult Care Food Program	10.558	03-47-60076-00-9	(1,136)	8,902	7,766	-	-
Total Child and Adult Care Food Program			(58,356)	407,156	398,174	-	(49,374)
Summer Food Service Program for Children	10.559	DA-04-00069-00	(366,549)	366,549	187,493	187,493	-
Summer Food Service Program for Children	10.559	30-010	-	360,397	628,027	-	(267,630)
Total Summer Food Service Program for Children			(366,549)	726,946	815,520	187,493	(267,630)
Total U.S. Department of Agriculture			(432,723)	1,431,525	1,556,016	187,493	(369,721)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Lower Income Housing Assistance Program	14.156	UPG01TN01437	(122,742)	122,742	-	-	-
Community Development Block Grants/Entitlement Grants	14.218	B02MC47001	(238,121)	205,730	-	32,391	-
Community Development Block Grants/Entitlement Grants	14.218	B03MC47001	-	2,070,485	2,070,485	-	-
Community Development Block Grants/Entitlement Grants	14.218	B04MC47001	-	113,864	325,555	-	(211,691)
Community Development Block Grants/Entitlement Grants	14.218	Program Income	356,417	1,140,227	1,350,557	(146,087)	-
Total Community Development Block Grants/Entitlement Grants			118,296	3,530,306	3,746,597	(113,696)	(211,691)

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2005

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
Emergency Shelter Grants Program (ESG)	14.231	S03MC47003	\$ (900)	\$ 5,700	\$ 4,800	\$ -	\$ -
Emergency Shelter Grants Program (ESG)	14.231	S04MC47003	-	38,356	56,402	-	(18,046)
Total Emergency Shelter Grants Program (ESG)			(900)	44,056	61,202	-	(18,046)
Shelter Plus Care	14.238	TN37C931017	(20,593)	36,519	15,926	-	-
Shelter Plus Care	14.238	TN37C400010	-	-	39,972	-	(39,972)
Total Shelter Plus Care			(20,593)	36,519	55,898	-	(39,972)
Home Investment Partnerships Program	14.239	M03MC470200	(52,293)	235,859	183,666	-	(100)
Home Investment Partnerships Program	14.239	Program Income	230,025	811,399	915,931	(125,493)	-
Total Home Investment Partnerships Program			177,732	1,047,258	1,099,597	(125,493)	(100)
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B01SPTN0590	-	-	298,939	-	(298,939)
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B02SPTN0685	(54,781)	61,507	222,458	-	(215,732)
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B03SPTN0735	-	-	39,013	-	(39,013)
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B03SPTN0748	-	-	483,722	-	(483,722)
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B04SPTN0755	-	497,050	497,050	-	-
Total Community Development Bock Grants/ Brownfields Economic Development Initiative			(54,781)	558,557	1,541,182	-	(1,037,406)
Fair Housing Initiatives Program	14.408	FH400G03042	(23,834)	80,000	56,166	-	-
Total U.S. Department of Housing and Urban Development			73,178	5,419,438	6,560,642	(239,189)	(1,307,215)

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2005

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
U.S. DEPARTMENT OF JUSTICE							
State Domestic Preparedness Equipment Support Program	16.007	2003-TE-CX-0003	\$ 169,028	\$ 107,553	\$ 153,719	\$ (166,792)	\$ (43,930)
Passed through Tennessee Department of Finance and Administration:							
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Z-99-088379-00	(10,149)	50,149	40,000	-	-
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Z-99-088380-00	(3,021)	9,777	11,134	(1,192)	(5,570)
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Z-99-088436-00	-	10,634	14,617	-	(3,983)
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Z-99-088471-00	-	25,383	42,458	-	(17,075)
Total Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program			(13,170)	95,943	108,209	(1,192)	(26,628)
Local Law Enforcement Block Grants Program	16.592	2002-LB-BX-0905	159,770	-	159,770	-	-
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-0968	218,517	-	147,193	-	71,324
Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-1212	-	169,040	84,512	-	84,528
Total Local Law Enforcement Block Grants Program			378,287	169,040	391,475	-	155,852
Public Safety Partnership and Community Policing Grants (COPS)	16.710	2001CKWX0106	(580,229)	911,075	330,846	-	-
Public Safety Partnership and Community Policing Grants (COPS)	16.710	2002CKWX0005	(4,649)	73,484	77,913	-	(9,078)
Total Public Safety Partnership and Community Policing Grants (COPS)			(584,878)	984,559	408,759	-	(9,078)
Total U.S. Department of Justice			(50,733)	1,357,095	1,062,162	(167,984)	76,216

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Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
U.S. DEPARTMENT OF TRANSPORTATION							
Passed through Tennessee Department of Transportation:							
Highway Planning and Construction	20.205	STP-EN-9202 (85)	\$ (976,971)	\$ 4,111,598	\$ 4,499,921	\$ -	\$ (1,365,294)
Highway Planning and Construction	20.205	STP-M-9202 (86)	(1,678)	829,302	1,046,081	-	(218,457)
Highway Planning and Construction	20.205	Z-04-019870-00	(55,881)	182,102	126,221	-	-
Highway Planning and Construction	20.205	Z-05-024242-00	-	185,860	315,687	-	(129,827)
Passed through Georgia Department of Transportation:							
Highway Planning and Construction	20.205	PL-0005-00-860	(46,701)	56,457	9,756	-	-
Highway Planning and Construction	20.205	PL-0005-00-995	-	56,906	61,088	-	(4,182)
Total Highway Planning and Construction			(1,081,231)	5,422,225	6,058,754	-	(1,717,760)
Federal Transit: Metropolitan Planning Grants	20.505	GG-04-01692-00	(5,784)	30,867	50,438	-	(25,355)
Federal Transit: Metropolitan Planning Grants	20.505	GG-04-10626-00	(16,730)	60,416	43,686	-	-
Federal Transit: Metropolitan Planning Grants	20.505	GG-05-11659-00	-	39,591	39,591	-	-
Total Federal Transit: Metropolitan Planning Grants			(22,514)	130,874	133,715	-	(25,355)
Passed through Tennessee Department of Transportation:							
State and Community Highway Safety	20.600	Z-05-024125-00	-	71,945	106,632	-	(34,687)
Total U.S. Department of Transportation			(1,103,745)	5,625,044	6,299,101	-	(1,777,802)
INSTITUTE OF MUSEUM AND LIBRARY SERVICES							
Passed through Tennessee Libraries and Archives:							
State Library Program	45.310	GG-01-09207-01	-	995	995	-	-
State Library Program	45.310	Z-04-021847.00	-	30,988	30,988	-	-
State Library Program	45.310	Z-04-021059.00	-	35,000	35,000	-	-
State Library Program	45.310	GG-05-11446-00	-	82,125	82,125	-	-
Total Institute of Museum and Library Services			-	149,108	149,108	-	-

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SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2005

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Surveys, Studies, Investigations and Special Purpose Grants	66.606	A00408404-1	\$ -	\$ 316,648	\$ 316,648	\$ -	\$ -
Surveys, Studies, Investigations and Special Purpose Grants	66.606	PM97475803	-	111,475	111,475	-	-
Total Surveys, Studies, Investigations and Special Purpose Grants			-	428,123	428,123	-	-
Total U.S. Environmental Protection Agency			-	428,123	428,123	-	-
U.S. DEPARTMENT OF ENERGY							
Passed through Tennessee Department of Human Services:							
Weatherization Assistance for Low-Income Persons	81.042	Z-04-016057-00	(141,128)	141,128	-	-	-
Weatherization Assistance for Low-Income Persons	81.042	Z-05-021670-02	-	131,305	194,085	-	(62,780)
Total Weatherization Assistance for Low-Income Persons			(141,128)	272,433	194,085	-	(62,780)
FEDERAL EMERGENCY MANAGEMENT AGENCY							
Emergency Food and Shelter National Board Program	83.523	22-7682-00	(14,327)	14,327	-	-	-
Emergency Food and Shelter National Board Program	83.523	23-7682-00	-	32,347	24,691	-	7,656
Total Federal Emergency Management Agency			(14,327)	46,674	24,691	-	7,656
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Head Start	93.600	04CH0047/27	(391,411)	391,411	-	-	-
Head Start	93.600	04CH0047/28	-	6,895,408	7,324,573	-	(429,165)
Total Head Start			(391,411)	7,286,819	7,324,573	-	(429,165)
Passed Through Tennessee Department of Human Services:							
Low-Income Home Energy Assistance (LIHEAP)	93.568	Z-04-016035-00	(33,673)	33,673	-	-	-
Low-Income Home Energy Assistance (LIHEAP)	93.568	Z-05-021693-02	-	1,075,007	1,166,064	-	(91,057)
Total Low-Income Home Energy Assistance (LIHEAP)			(33,673)	1,108,680	1,166,064	-	(91,057)
Community Services Block Grant (CSBG)	93.569	Z-04-015764-01	(53,615)	53,615	-	-	-
Community Services Block Grant (CSBG)	93.569	Z-05-020686-01	-	517,139	598,533	-	(81,394)
Total Community Services Block Grant (CSBG)			(53,615)	570,754	598,533	-	(81,394)
Total U.S. Department of Health and Human Services			(478,699)	8,966,253	9,089,170	-	(601,616)

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2005

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE							
Foster Grandparent Program	94.011	02-SFSTN022	\$ (13,562)	\$ 13,562	\$ -	\$ -	\$ -
Foster Grandparent Program	94.011	04-SFSTN003	-	388,326	422,558	-	(34,232)
Total Corporation for National and Community Services			(13,562)	401,888	422,558	-	(34,232)
U.S. DEPARTMENT OF HOMELAND SECURITY							
Passed Through Tennessee Emergency Management Agency							
Public Assistance Grants	97.036	Z-03-017837-00	(51,081)	-	69,596	-	(120,677)
Public Assistance Grants	97.036	Z-05-024714-00	-	528,680	528,680	-	-
Public Assistance Grants	97.036	Z-05-024713-00	-	82,944	88,640	-	(5,696)
Total Public Assistance Grants			(51,081)	611,624	686,916	-	(126,373)
Hazard Mitigation	97.039	GG-05-11612-00	-	-	532,861	-	(532,861)
Total U.S. Department of Homeland Security			(51,081)	611,624	1,219,777	-	(659,234)
TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT			(2,212,820)	24,709,205	27,005,433	(219,680)	(4,728,728)
Component Units							
Chattanooga Area Regional Transportation Authority (CARTA)							
U.S. DEPARTMENT OF TRANSPORTATION							
Federal Transit Cluster:							
Federal Transit - Capital Investment Grants	20.500	TN-03-0070	-	426,315	426,315	-	-
Passed through Tennessee Department of Transportation:							
Federal Transit - Capital Investment Grants	20.500	TN-03-0067	-	17,312	17,312	-	-
Federal Transit - Capital Investment Grants	20.500	TN-03-0051	-	38,587	38,587	-	-
Total Federal Transit - Capital Investment Grants			-	482,214	482,214	-	-

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2005

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
Federal Transit - Formula Grants	20.507	TN-90-X204	\$ -	\$ 404,372	\$ 404,372	\$ -	\$ -
Federal Transit - Formula Grants	20.507	TN-26-0020	-	366,090	366,090	-	-
Federal Transit - Formula Grants	20.507	TN-90-X215	-	1,914,345	1,914,345	-	-
Total Federal Transit - Formula Grants			-	2,684,807	2,684,807	-	-
Total Federal Transit Cluster			-	3,167,021	3,167,021	-	-
Job Access - Reverse Commute	20.516	TN-37-X021	(35,817)	393,687	389,140	-	(31,270)
Job Access - Reverse Commute	20.516	TN-37-X009	(15,585)	15,585	-	-	-
Total Job Access - Reverse Commute			(51,402)	409,272	389,140	-	(31,270)
Total Expenditures of Federal Awards - CARTA			(51,402)	3,576,293	3,556,161	-	(31,270)
<u>Awards Audited by Other Auditors</u>							
Chattanooga Metropolitan Airport Authority							
U.S. DEPARTMENT OF TRANSPORTATION							
Airport Improvement Program	20.106	3-47-0009-22	-	167,879	167,879	-	-
Airport Improvement Program	20.106	3-47-0009-28	(258,097)	1,382,949	1,136,048	-	(11,196)
Airport Improvement Program	20.106	3-47-0009-29	(14,737)	1,374,086	1,438,672	-	(79,323)
Airport Improvement Program	20.106	3-47-0009-30	(161,093)	301,616	140,523	-	-
Airport Improvement Program	20.106	3-47-0009-31	-	284	284	-	-
Airport Improvement Program	20.106	3-47-0009-32	-	527,957	561,836	-	(33,879)
Airport Improvement Program	20.106	3-47-0009-33	(119,906)	354,744	423,542	-	(188,704)
Airport Improvement Program	20.106	3-47-0009-34	-	4,750	4,750	-	-
Airport Improvement Program	20.106	3-47-0009-37	-	-	66,500	-	(66,500)
Total Expenditures of Federal Awards - Component Unit Audited by Other Auditors			(553,833)	4,114,265	3,940,034	-	(379,602)
TOTAL EXPENDITURES OF FEDERAL AWARDS - COMPONENT UNITS			(605,235)	7,690,558	7,496,195	-	(410,872)
TOTAL EXPENDITURES OF FEDERAL AWARDS - REPORTING ENTITY			(2,818,055)	32,399,763	34,501,628	(219,680)	(5,139,600)

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
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Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
STATE AWARDS							
Tennessee Department of Transportation:							
Transportation Enhancement Program		STP-EN-9202(76)	\$ -	\$ 34,493	\$ 34,493	\$ -	\$ -
University Greenway		STP-EN-3300(42)	-	-	405,987	-	(405,987)
Tennessee Housing Development Agency:							
THDA Entitlement - CNE Project		Program Income	(15,863)	150,830	73,878	162,344	223,433
Tennessee Wildlife Resource Agency:							
Pumpout Station		N/A	-	100,000	170,375	-	(70,375)
Floating Docks		N/A	-	-	35,000	-	(35,000)
Boating Infrastructure		N/A	-	-	92,500	-	(92,500)
Clean Stram Grant		Z-03-014713	-	960	960	-	-
Tennessee Department of Environment and Conservation:							
Household Hazardous Waste		GG-04-10546-00	(85,000)	85,000	-	-	-
Household Hazardous Waste		GG-05-11117-00	-	-	85,000	-	(85,000)
Highland Park Survey		GG-05-11585-00	-	-	5,586	-	(5,586)
Northshore Wetlands Park Education Pavillion		Z-05-022828-00	-	-	79,590	-	(79,590)
TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT			(100,863)	371,283	983,369	162,344	(550,605)

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CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
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Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
Component Units							
Chattanooga Area Regional Transportation Authority (CARTA)							
Tennessee Department of Transportation:							
State funding for TN-26-0020		GG-0310136	\$ (5,063)	\$ 39,485	\$ 45,365	\$ -	\$ (10,943)
State funding for TN-03-0051		GG-0108905	(3,339)	8,132	4,793	-	-
State funding for TN-37-X009		GG-0209299	(70,533)	70,533	-	-	-
State funding for TN-03-0042		GG-0511539	-	172,998	239,293	-	(66,295)
State funding for TN-37-X021		GG-0410492	(1,897)	69,723	93,393	-	(25,567)
State funding for TN-03-0067		GG-0410420	(4,293)	5,767	2,164	-	(690)
State funding for TN-03-0070		GG-0410542	(16,686)	69,975	53,289	-	-
State funding for TN-90-X204		GG-0410426	(65,074)	115,858	50,784	-	-
State Operating		GG-0511491	-	1,516,392	1,816,355	-	(299,963)
Total Expenditures of State Awards - CARTA			(166,885)	2,068,863	2,305,436	-	(403,458)
<u>Awards Audited by Other Auditors</u>							
Chattanooga Metropolitan Airport Authority							
Airport Improvement Program		33-555-0180-04	(3,155)	-	11,146	-	(14,301)
Airport Improvement Program		33-555-0783-04	-	34,313	34,313	-	-
Airport Improvement Program		33-555-0274-04	-	77,004	77,004	-	-
Airport Improvement Program		33-555-0162-04	(161,094)	-	(15,969)	-	(145,125)
Airport Improvement Program		33-555-0173-04	(181,398)	-	70,921	-	(252,319)
Airport Improvement Program		33-555-0767-04	(460)	-	-	-	(460)
Airport Improvement Program		33-555-0179-04	-	-	14,785	-	(14,785)
Airport Improvement Program		N/A	-	-	1,750	-	(1,750)
Airport Improvement Program		N/A	(10,650)	-	79,245	-	(89,895)
Airport Improvement Program		N/A	-	-	15	-	(15)
Airport Improvement Program		N/A	-	-	125	-	(125)
Total Expenditures of State Awards - Component Unit Audited by Other Auditors			(356,757)	111,317	273,335	-	(518,775)
TOTAL EXPENDITURES OF STATE AWARDS - COMPONENT UNITS			(523,642)	2,180,180	2,578,771	-	(922,233)
TOTAL EXPENDITURES OF STATE AWARDS - REPORTING ENTITY			(624,505)	2,551,463	3,562,140	162,344	(1,472,838)
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS - REPORTING ENTITY			\$ (3,442,560)	\$ 34,951,226	\$ 38,063,768	\$ (57,336)	\$ (6,612,438)

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2005

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Program Income

Cash receipts for the Community Development Block Grant (CFDA 14.218) and HOME Investment Partnerships Program (CFDA 14.239) include program income of \$1,140,227 and \$811,399, respectively.

Note 3. Accrual Adjustment

The accompanying schedule of expenditures of federal and state awards includes a restatement of beginning accrued/deferred grant revenue of \$7,818 and \$132,506 related to Emergency Food Assistance Program (CFDA 10.568) and Community Development Block Grants/Entitlement Grants (CFDA 14.218). These amounts were not included as ending accrued/deferred grant revenue on the prior year schedule.

Note 4. Other Adjustments

Other adjustments to the schedule of expenditures of federal and state awards include the following:

<u>Summer Food Service Program for Children</u>	<u>CFDA 10.559</u>
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As reported in Finding 2005-1, the City of Chattanooga Department of Human Services incurred questioned costs related to the 2004 Summer Food Service Program during fiscal year 2005. This amount represents the amount due to Tennessee Department of Human Services (TDHS). This amount is accrued as a liability in the applicable fund at June 30, 2005. This amount was repaid to the TDHS in October, 2005.

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2005

Note 4. Other Adjustments (continued)

Community Development Block Grants/
Entitlement Grants (CDBG) CFDA 14.218

Home Investment Partnership Program (HOME) CFDA 14.239

As reported in Findings 2005-4 and 2005-5, the City of Chattanooga Office of Economic and Community Development recorded large adjustments to both the CDBG and HOME grants in the current year. These adjustments were both related to program income. In addition, an adjustment of \$32,391 was also necessary to correct accruals related to the CDBG grant.

Edward Byrne Memorial State and Local
Law Enforcement Assistance
Discretionary Grants Program CFDA 16.580

Department of Justice monitoring during fiscal year 2005 revealed non-reimbursable expenditures of \$1,192. The City repaid this amount during fiscal year 2005 which required an adjustment to the grant.

State Domestic Preparedness Equipment
Support Program CFDA 16.007

Department of Justice monitoring during fiscal year 2005 revealed grant funds were requested in advance for a reimbursement grant. Funds were returned to the Department of Justice which required an adjustment to the grant.

Tennessee Housing Development Agency State award

During a reconciliation of program income during fiscal year 2005, it was noted that an adjustment was needed to properly reflect deferred grant revenue at June 30, 2005. The City began listing this program income on the grant schedule in fiscal year 2003. This adjustment was related to program income prior to 2003.

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2005

Note 5. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipient</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$3,349,122
Emergency Shelter Grants Program	14.231	61,202
Home Investment Partnerships Program	14.239	1,099,597
Community Development Block Grants/ Brownfields Economic Initiative	14.246	39,013

Note 6. Other Cash Receipts

Not included on the accompanying schedule of expenditures of federal and state awards are cash receipts of \$24,371 from the Department of Justice. This amount was reimbursed to the City during fiscal year 2005 for expenditures incurred several years ago.

Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With Government Auditing Standards

To the Honorable Mayor
and Members of the City Council
City of Chattanooga, Tennessee

We have audited the financial statements of the City of Chattanooga, Tennessee, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 21, 2005. We did not audit the financial statements of the Chattanooga Metropolitan Airport Authority. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on those financial statements, insofar as it relates to the amounts included for Chattanooga Metropolitan Airport Authority, was based solely on the work of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Chattanooga's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated October 21, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Mayor, the City Council, the City of Chattanooga, Tennessee's management, federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Haylett, Lewis & Bieter, PLLC

Chattanooga, Tennessee
October 21, 2005

Report on Compliance With Requirements Applicable to Each Major Federal Program
and on Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Honorable Mayor
and Members of the City Council
City of Chattanooga, Tennessee

Compliance

We have audited the compliance of the City of Chattanooga, Tennessee, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. We did not audit the compliance of the Chattanooga Metropolitan Airport Authority whose federal and state financial assistance is \$4,213,369. The report of the other auditors on compliance with the requirements applicable to major programs has been furnished to us, and our opinion on compliance with those requirements, insofar as it relates to the amounts included for the Chattanooga Metropolitan Airport Authority was based solely on the report of the other auditors. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

As described in Findings 2005-1 and 2005-4 in the accompanying schedule of findings and questioned costs, the City of Chattanooga, Tennessee did not comply with requirements regarding 1) allowable costs that are applicable to the Summer Food Service Program for Children and 2) program income applicable to Community Development Block Grants. Compliance with such requirements is necessary, in our opinion, for the City of Chattanooga, Tennessee to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Chattanooga, Tennessee complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the City of Chattanooga, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention that relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Chattanooga's ability to administer a major program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Findings 2005-1, 2005-2, 2005-3, 2005-4 and 2005-5.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the Mayor, the City Council, the City of Chattanooga, Tennessee's management, federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Haslett, Lewis & Bieten, PLLC

Chattanooga, Tennessee
October 21, 2005

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2005

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? ☐ yes ☒ no
- Reportable conditions identified that are not considered to be material weaknesses? ☐ yes ☒ none reported
- Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ☐ yes ☒ no
- Reportable conditions identified that are not considered to be material weaknesses? ☒ yes ☐

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☒ yes ☐

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.559	U.S. Department of Agriculture: Summer Food Service Program for Children (SFSP)
14.218	U.S. Department of Housing and Urban Development: Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnerships Program
14.246	Community Development Block Grants/Brownfields Economic Initiative
20.106	U.S. Department of Transportation: Airport Improvement Program
20.205	Highway Planning and Construction
20.500	Federal Transit Cluster: Federal Transit – Capital Improvement Grants
20.507	Federal Transit – Formula Grants
93.568	U.S. Department of Health and Human Services: Low-Income Home Energy Assistance (LIHEAP)

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

Dollar threshold used to distinguish between type A
and type B programs: \$1,035,049

Auditee qualified as low-risk auditee? _____ yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2005-1: Allowable Costs

Federal program: CFDA 10.559 Summer Food Service Program for Children (SFSP)
Federal agency: U.S. Department of Agriculture

Criteria: The *Code of Federal Regulations (CFR), Section 225.9 (d)(5)* requires that each subrecipient report shall certify that the claim is correct and records are available to support this claim.

Condition: The City of Chattanooga Department of Human Services (DHS) contracts with the Hamilton County Department of Education Child Nutrition Department to provide meals for the City's SFSP. An internal audit performed by the Hamilton County Department of Education revealed discrepancies of meals billed to and paid by the City DHS that were never produced by the Child Nutrition Department during the 2004 program year.

Questioned costs: \$187,493

Effect: The City is not in compliance with allowable costs provisions of the SFSP. Additionally, the questioned costs must be repaid to the Tennessee Department of Human Services as a result of the discrepancies.

Cause: Collusion among employees in both the City DHS and the Hamilton County Child Nutrition Department led to inaccurate invoices billed for meals never prepared.

Recommendation: Internal controls over the SFSP should be evaluated. Invoices should be approved by someone in addition to the program director and should be reconciled to delivery tickets to ensure proper accounting for meals.

Management's Response: The City repaid all questioned costs in October 2005. Subsequently, the City recovered \$133,621 from the Hamilton County Child Nutrition Department. The City's Internal Audit department has developed procedures which have been implemented to ensure the accuracy of the meal counts. All meal orders are electronically submitted to a secure mailbox. In addition, delivery tickets are compared to the daily order, the daily lunch count sheet for participants, and the monthly invoice from the vendor to ensure accuracy of meal counts.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2005-2: Allowable Costs

Federal program: CFDA 10.559 Summer Food Service Program for Children (SFSP)
Federal agency: U.S. Department of Agriculture

Criteria: The *Code of Federal Regulations (CFR)*, Section 225.9 (d)(5) requires that each program sponsor shall certify that the reimbursement claim is correct and records are available to support this claim.

Condition: Monitoring visits were performed by Tennessee DHS during September, 2005 to verify the 2005 SFSP claim prior to reimbursement. Per monitoring reports, the City DHS claimed incorrect meals during the 2005 SFSP. Meals were claimed for an unapproved site and an incorrect number of sites in operation were claimed. In addition, the City DHS was notified by Tennessee DHS of six additional ineligible sites that could not be claimed for reimbursement.

Questioned costs: \$27,987

Effect: The City is not in compliance with allowable costs provisions of the SFSP.

Cause: Lack of training and review of daily meal service reports led to discrepancies between the meal service reports and supporting attendance and delivery records. In addition, sites were not properly approved according to program guidelines.

Recommendation: Employees should be properly trained to accurately account for all meals as delivered. All daily meal service reports should be reviewed by a site supervisor and properly reconciled to delivery tickets. Additionally, site eligibility should be verified by management and proof of site eligibility should be maintained.

Management's Response: The state of Tennessee has adjusted the reimbursement claim in the amount of the questioned costs. Site supervisors and other workers were retrained in July, 2005. The training emphasized the importance of daily reconciliation of the delivery tickets and meal service reports. We will monitor site eligibility more closely in the future and maintain proper documentation.

Finding 2005-3: Special Provisions

Federal program: CFDA 10.559 Summer Food Service Program for Children (SFSP)
Federal agency: U.S. Department of Agriculture

Criteria: The *Code of Federal Regulations (CFR)*, Section 225.15 (d)(1) requires that each sponsor shall hold program training sessions for its administrative and site personnel and shall allow no site to operate until personnel have attended at least one of these training sessions.

Condition: Monitoring visits were performed by Tennessee DHS during September, 2005 to verify the 2005 SFSP claim prior to reimbursement. Per monitoring reports, the City DHS failed to maintain documentation of required training for site personnel.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

Questioned costs: None

Effect: The City is not in compliance with training requirements of the SFSP.

Cause: Proper documentation related to proof of training was not retained by Chattanooga DHS.

Recommendation: Employees should be properly trained to accurately account for all meals as delivered and all daily meal service reports. Evidence of training provided should also be documented and retained.

Management's Response: All site personnel were trained according to the grant requirements; however, the signatures for the sites in question were not on the training log. Signed applications are on hand to verify attendance on the various training dates.

Finding 2005-4: Program Income

Federal program: CFDA 14.218 Community Development Block Grants/Entitlement Grants
Federal agency: U.S. Department of Housing and Urban Development

Criteria: Federal regulations require grantees to accurately account for program income generated from the use of grant funds.

Condition: Large adjustments were made to prior year ending deferred program income in the current year to accurately report current year program income. Additionally, program income as reported in the schedule of expenditures of federal and state awards did not agree to the Integrated Disbursement and Information System (IDIS) reports submitted to the U.S. Department of Housing and Urban Development (HUD) for the fiscal year 2005. HUD's monitoring review determined that program income of \$267,344 in 2005 was not used prior to the City's expenditure of grant funds.

Questioned costs: \$267,344

Effect: The City is not in compliance with program income reporting requirements.

Cause: A lack of communication between the City Office of Economic and Community Development and the City accounting department led to improper amounts being recorded in the prior year. Additionally, proper training has not been received by the City Office of Economic and Community Development on proper use of the IDIS system.

Recommendation: The City Office of Economic and Community Development must review program income received and reconcile these amounts to both IDIS and accounting records on a regular basis. Any discrepancies should be resolved in a timely manner.

Management's Response: Accumulated expenditures are being used for the program income in question prior to making additional draw downs. Program income and expenditures will be reconciled to the City's accounting records on a monthly basis.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2005-5: Program Income

Federal program: CFDA 14.239 HOME Investment Partnerships Program
Federal agency: U.S. Department of Housing and Urban Development

Criteria: Federal regulations require grantees to accurately account for program income generated from the use of grant funds.

Condition: Large adjustments were made to prior year ending deferred program income in the current year to accurately report current year program income.

Questioned costs: Unknown

Effect: The City is not in compliance with program income reporting requirements.

Cause: A lack of communication between the City Office of Economic and Community Development and the City accounting department led to improper amounts being recorded in the prior year.

Recommendation: The City Office of Economic and Community Development must review program income received and reconcile these amounts to accounting records on a regular basis. Any discrepancies should be resolved in a timely manner.

Management's Response: Program income and expenditures will be reconciled to the City's accounting records on a monthly basis.

CITY OF CHATTANOOGA, TENNESSEE
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2005

None